

Message Text

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PAGE 01 COLOMB 00875 120045Z

ACTION AGRE-00

INFO OCT-01 EA-09 NEA-10 ISO-00 EB-08 /028 W

-----120209Z 003381 /70

R 111030Z MAR 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 6879

INFO AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

UNCLAS COLOMBO 0875

DEPARTMENT PASS USDA FOR RESPENCER, CEP/OGSM; NEW DELHI FOR
AGATT; SINGAPORE PLEASE PASS ALAN HUNT, WHEAT ASSOCIATES USA

E.O. 11652: N/A

TAGS: EAGR,CE, IN

SUBJECT: CCC CREDIT FOR WHEAT

REF: STATE 053108(NOTAL)

1. EXTERNAL RESOURCES DIVISION (ERD) IS DELAYING MAKING
FORMAL REQUEST FOR CCG CREDIT FOR FOLLOWING REASONS.

2. CHARIMAN SILVA OF STATE SLOUR MILLING CORPORATION HAS
NOT YET TOLD ERD WHAT HE PLANS TO DO ABOUT ORDERING U.S.
WHEAT FOR LOCAL MILL. ALTHOUGH SILVA HAD PREVIOUSLY SAID
HE INTENDED TO TENDER IN MARCH FOR 20,000 MT HARD RED
WINTER (HRW) TO TEST IN LOCAL MILL, HE NOW SAYS HE CAN
NOT DELAY AUSTRALIAN SHIPMENTS FOR 7-8 WEEKS REQUIRED TO
MILL THAT MUCH WHEAT. SILVA NOW CONSIDERING BUYING ABOUT
3,000 MT HRW WHICH HE SAYS HE CAN FIT IN HIS SILOS AT ANY
TIME. HE IS CONCERNED ABOUT HIGH FREIGHT COSTS OF SUCH A
SMALL SHIPMENT AND IS INVESTIGATING POSSIBILITY OF
INCLUDING GRAIN WITH PL 480 FLOUR SHIPMENT. LOCAL
DREYFUS REPRESENTATIVE ALSO TALKING WITH SILVA ABOUT
WAYS TO HOLD DOWN FREIGHT COSTS OF SAMPLE.

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3. ACCORDING TO SILVA, LAST SHIPMENT OF AUSTRALIAN
WHEAT UNDER PRESENT CONTRACT DUE TO ARRIVE IN JULY
AND WILL SUPPLY MILL UNTIL EARLY AUGUST. DURING RECENT
VISIT OF HUGH BRIGHT OF WESTERN WHEAT, USA, BRIGHT AND
EMBOFF STRONGLY URGED SILVA TO MILL A SAMPLE OF US
HRW AS SOON AS POSSIBLE TO DEMONSTRATE SUPERIORITY

OF HRW OVER AUSTRALIAN WHEAT. IF SILVA WAITS TOO LONG TO MAKE TEST HE MAY NOT HAVE SUFFICIENT TIME TO PURCHASE AND RECEIVE ADDITIONAL US WHEAT BEFORE AUSTRALIAN SUPPLIES RUN OUT. WHILE SILVA STILL SEEMS SNXIOUS TO TRY HRW, EMBOFF HAS IMPRESSION SILVA WILL MAKE NO DECISION BEFORE TEAM OF USDA AND WESTERN WHEAT ASSOCIATES OFFICIALS ARRIVE APRIL1.

4. REGARDING PROPOSAL TO MILL US WHEAT IN SINGAPORE AND SHIP FLOUR TO SRI LANKA, FOOD COMMISSIONER'S OFFICE SAYS NEED FOR SUCH PURCHASES WILL DEPEND ON SIZE OF MAHA RICE CROP NOW BEING HARVESTED. IF HARVEST IS GOOD AS MINISTRY OF AGRICULTURE PREDICTS (55 MILLION BUSHEL OR PADDY OR ABOUT 786,000 MT OF MILLED RICE), DEMAND FOR WHEAT FLOUR EXPECTED TO DROP FROM PRESENT 60,000 MT PER MONTH AND SCHEDULED AONFYALS OF PL 480 AND GIFT FLOUR SHOULD BE SUFFICIENT TO MEET REDUCED DEMAND THROUGH SUMMER MONTHS. IF MAHA HARVEST IS LESS THAN PREDICTED, AND MANY KNOWLEDGEABLE OBSERVERS THINK IT WILL BE THEN ADDITIONAL FLOUR SUPPLIES WILL BE REQUIRED AND SINGAPORE ARRANGEMENT IS POSSIBLE SOURCE. NO ACCURATE READING CAN BE MADE ON MAHA HARVEST UNTIL END OF MARCH.

5. EMBASSY BELIEVES APRIL 1 VISIT OF USDA/WESTERN WHEAT TEAM VERY PROPITIOUS TIMING. AT THAT TIME, ERD SHOULD BE IN BETTER POSITION TO DECIDE ON CCC CREDIT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, CREDIT
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB00875
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770085-0302
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770370/aaaacjoz.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 60db3dba-c288-dd11-92da-001cc4696bcc
Office: ACTION AGRE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 53108
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3142146
Secure: OPEN
Status: NATIVE
Subject: CCC CREDIT FOR WHEAT
TAGS: EAGR, CE, IN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/60db3dba-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009